

Message Text

CONFIDENTIAL

PAGE 01 LONDON 07551 01 OF 03 141813Z

12

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SS-15 USIA-06 INT-05 XMB-02 DHA-02 IO-13 /116 W

----- 012005

R 141758Z MAY 76

FM AMEMBASSY LONDON

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 1744

AMEMBASSY PARIS

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 07551

E.O. 11652: GDS

TAGS: PFOR, UK, EGEN, TECH, BR

SUBJECT: PRESIDENT GEISEL'S VISIT TO THE U.K.

REF: BRASILIA 3501 (NOTAL), BRASILIA 3803

SUMMARY: PRESIDENT GEISEL'S VISIT TO THE UK CONSIDERED
VERY SUCCESSFUL BY BRITISH OFFICIALS. PROGRESS ON
ECONOMIC COOPERATION AGREEMENTS HAILED IN PRESS AS HOLD-
ING POSSIBILITY FOR SUBSTANTIAL BEREFTS TO UK INDUSTRY.
BRAZILIAN CONCERN OVER HMG DECISION TO IMPOSE EXTRA DUTY
ON CERTAIN BRAZILIAN SHOE EXPORTS DID NOT MATERIALLY
AFFECT VISIT. DEMONSTRATIONS BY LEFT WING OPPOSITION TO
GEISEL REGIME HAD LITTLE IMPACT. END SUMMARY.

1. FOR AN OCCASION THAT COULD HAVE BEEN UNCOMFORTABLY
INCONSEQUENTIAL, PRESIDENT GEISEL'S STATE VISIT TO
LONDON CAME OFF AS A MARKED SUCCESS FOR BOTH PARTIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07551 01 OF 03 141813Z

BRITISH AND BRAZILIAN OBJECTIVES, AT LEAST IN THE OPIN-

ION OF WHITEHALL, WERE ATTAINED IN CIRCUMSTANCES THAT MIGHT HAVE COOLED RATHER THAN WARMED THE FLEDGLING RELATIONSHIP. THE TRIP ITSELF SPRANG MORE FROM AN ECONOMIC THAN A POLITICAL PRETEXT, AND TALKS REFLECTED THIS PREOCCUPATION. OSTENSIBLY PAYING A RETURN VISIT FOR THE QUEEN'S TRIP TO BRAZIL IN 1968, PRESIDENT GEISEL WAS APPARENTLY PERSUADED BY HIS ADVISORS TO ADD THE UNITED KINGDOM TO HIS EUROPEAN ITINERARY IN AN ATTEMPT TO EXPAND BRAZIL'S GLOBAL CREDENTIALS. THE PRESIDENT ALSO INTENDED TO GIVE SOME SUBSTANCE TO THE GENERALIZED MEMORANDUM OF UNDERSTANDING REACHED BETWEEN THE TWO COUNTRIES LAST OCTOBER. (THE BRAZILIANS HAD ORIGINALLY PROPOSED TO THEN MINISTER OF TRADE PETER SHORE A MORE FORMAL JOINT COMMISSION, BUT THE LACK OF BRITISH ENTHUSIASM LED TO THE LOOSER ARRANGEMENT OF A MEMORANDUM.) THE BRITISH REGARD THE MEMORANDUM AS CONTAINING "A LOT OF FLANNEL," BUT RECOGNIZED THAT ITS PROVISION FOR PERIODIC CONSULTATIONS COULD PROVE USEFUL. AND SO, WITH AN EYE MORE ON THE POSSIBILITY OF TRADE AND LESS ON THE POLITICAL OBJECTIONS OF THE LEFT-WING OF THE PARTY, THE LABOR GOVERNMENT RECOMMENDED TO THE QUEEN THAT GEISEL COME TO LONDON.

2. BILATERAL TRADE DOMINATED THE TALKS BETWEEN THE TWO PARTIES. THE BRITISH FOUND THE MEMORANDUM POLITICALLY USEFUL IN DEFUSING PROBLEMS THAT OTHERWISE MIGHT HAVE SOURED RELATIONS. THE UK, FOR EXAMPLE, HAD IMPOSED A PROVISIONAL COUNTERVAILING DUTY OF 16 PERCENT ON IMPORTS OF BRAZILIAN MEN'S LEATHER FASHION FOOTWEAR JUST PRIOR TO GEISEL'S ARRIVAL IN LONDON. DURING LONG TALKS, IT WAS EMPHASIZED THAT THIS ACTION WAS PROVISIONAL AND THAT THE SUMS PAID WERE REFUNDABLE SHOULD THE CASE NOT BE SUBSTANTIATED. THE BRAZILIANS ACCEPTED THE BRITISH ARGUMENT THAT CONTINUED IMPORTS IN THIS SPECIFIC CATEGORY WOULD CAUSE THE CLOSURE OF TWO ENGLISH FACTORIES. AGREEMENT WAS REACHED THAT OFFICIALS SHOULD MEET AGAIN SOON TO RESOLVE THIS PROBLEM. (FYI: BRITISH ACTION TAKEN UNDER CUSTOMS DUTIES (DUMPING AND SUBSIDIES) ACT 1969. ONE UK FIRM (TWO FACTORIES) AND SOME 600 JOBS IN A CHRONICALLY DEPRESSED AREA INVOLVED IN COMPLAINT. ACCORDING

CONFIDENTIAL

PAGE 03 LONDON 07551 01 OF 03 141813Z

TO DEPARTMENT OF TRADE PRIMA FACIE EVIDENCE INDICATES THAT EXPORTS TO THE UK OF MEN'S FASHION LEATHER FOOTWEAR FROM BRAZIL RECEIVE GOVERNMENT SUBSIDIES OF AT LEAST UP TO 18 PERCENT OF THE FOB VALUE (APPROX. 16 PERCENT AT THE CIF LEVEL). THIS SUBSIDIZATION RESULTS FROM CREDITS BEING GIVEN ON EXPORT SALES EQUAL TO THE INTEREST, TAXES PAID (WHICH ARE ALSO REFUNDED TO EXPORTERS) AND FROM THE PROFITS OR SUCH SALES BEING EXEMPT FROM CORPOR-

ATE INCOME TAX. CASE HAS THUS BEEN ACCEPTED FOR FULL
INVESTIGATION AND PROVISIONAL (3 MONTHS FROM APRIL 29)
DUTY CHARGED. END FYI.) ECONOMICS ASIDE, THE BRITISH
FOUND THE BRAZILIANS ANXIOUS TO DEFUSE THIS OUTSTANDING
PROBLEM AND SKILLFUL IN THEIR NEGOTIATIONS. IN OTHER
MORE SUBSTANTIAL TRADE TALKS THAT LASTED THROUGH THE
FINAL NIGHT OF THE VISIT, THE BRAZILIANS CONSTANTLY
SHOWED THEMSELVES TOUGH AND REALISTIC BARGAINERS, AND

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 07551 02 OF 03 141814Z

12

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SS-15 USIA-06 INT-05 XMB-02 DHA-02 IO-13 /116 W

----- 012027

R 141758Z MAY 76

FM AMEMBASSY LONDON

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 1745

AMEMBASSY PARIS

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 02 OF 03 LONDON 07551

THE ECONOMIC SUCCESS OF THE TALKS CAME WITHIN A GERUINE-
LY COOPERATIVE POLITICAL CONTEXT.

3. THESE TALKS WERE HELD BETWEEN PRESIDENT GEISEL AND
HIS STAFF AND LEADERS FROM BOTH THE PUBLIC AND PRIVATE
SECTORS OF BRITISH INDUSTRY LEAD BY THE SECRETARY OF

STATE FOR INDUSTRY ERIC VARLEY. THERE WAS PARTICULAR INTEREST SHOWN IN FIELDS OF STEEL, ENGINEERING GOODS, PETRO CHEMICALS, FERTILIZERS, BAUXITE AND ALUMINUM. TALKS WERE ALSO HELD WITH LEADING BRITISH BANKERS. TWO MEMORANDA OF UNDERSTANDING WERE SIGNED BEFORE THE PRESIDENT'S DEPARTURE THAT SET THE TERMS OF AGREEMENT FOR BRITISH INVOLVEMENT IN BRAZIL'S STEEL AND RAIL DEVELOPMENT PLANS. COVERED UNDER THESE MOU'S WHICH HAVE BEEN APPROVED BY THE EXPORT CREDIT GUARANTEE DEPARTMENT ARE THE FOLLOWING AGREEMENTS:
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07551 02 OF 03 141814Z

(A) DAVEY ASHMORE INTERNATIONAL LTD. AND MORGAN GRENFELL LTD. WILL LEAD EUROPEAN PARTICIPATION IN THE CONSTRUCTION OF NEW 900 MILLION POUND STEEL WORKS KNOWN AS ACOMINAS IN THE STATE OF MINAS GERAIS. THE VALUE OF FINANCING AND SUPPLY OF IMPORTED EQUIPMENT WILL AMOUNT TO ABOUT FIVE HUNDRED MILLION POUNDS. ORDERS FOR BRITISH GOODS AND SERVICES WILL BE PLACED TO THE VALUE OF AT LEAST ONE HUNDRED MILLION POUNDS.

(B) BRAZILIAN SEC GEN MINISTRY OF INDUSTRY AND TRADE ON BEHALF OF SIDERBRAS, THE BRAZILIAN NATIONAL STEEL COMPANY, AND BARING BROTHERS AND CO., LTD. SIGNED AN AGREEMENT ON A FIFTY MILLION POUND LINE OF CREDIT TO FINANCE THE PURCHASE OF BRITISH EQUIPMENT FOR THE BRAZILIAN STEEL INDUSTRY.

(C) BRITISH STEEL CORPORATION AND THE BRAZILIAN NATIONAL STEEL COMPANY RATIFIED A PREVIOUSLY DISCUSSED AGREEMENT ON TRANSFER OF TECHNOLOGY RELATED TO THE CONSTRUCTION OF OFF-SHORE PLATFORMS. A PRICE TAG WAS NOT PUT ON THIS AGREEMENT.

(D) THE BRAZILIAN FEDERAL RAIL NETWORK, GENERAL ELECTRIC COMPANY LTD., AND THE MERCHANT BANKERS, N. M. ROTHSCHILD AND SON, REACHED AGREEMENT ON A PACKAGE FOR THE SUPPLY AND FINANCING OF EQUIPMENT AND SERVICES FOR THE BELO HORIZONTE-VOLTA REDONTA "STEEL RAILWAY" TOGETHER WITH COMPLIMENTARY RAIL LINKS. TOTAL VALUE OF THIS PACKAGE THOUGHT TO BE IN REGION OF ONE HUNDRED MILLION POUNDS. GEC WILL HAVE OVERALL SUPPLY RESPONSIBILITIES BUT IT'S EXPECTED THAT OTHER BRITISH FIRMS WILL BE INVOLVED AS SUBCONTRACTORS.

(E) LLOYD'S BANK INTERNATIONAL AND BRAZIL'S NATIONAL BANK FOR ECONOMIC DEVELOPMENT (BNDE) HAVE ARRANGED A TWENTY MILLION POUND LINE OF CREDIT FOR THE PURCHASE IN BRITAIN OF CAPITAL GOODS AND EQUIPMENT FOR

MEDIUM-SIZED INDUSTRIAL PROJECTS SUPPORTED BY THE BNDE.
CONTRACTS UNDER THIS LINE OF CREDIT ARE TO BE PLACED BY
1978.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 07551 02 OF 03 141814Z

4. GEISEL ALSO MET WITH THE SECRETARY OF STATE FOR
ENERGY ANTHONY BENN IN WHAT WERE DESCRIBED AS WIDE-RANG-
ING AND USEFUL DISCUSSIONS ON ENERGY MATTERS, PARTICU-
LARLY THE DEVELOPMENT OF BRAZILIAN OIL RESOURCES. IT WAS
AGREED THAT A CLOSER RELATIONSHIP BETWEEN PETROBRAS AND
THE BRITISH NATIONAL OIL CORPORATION SHOULD BE EN-
COURAGED. GEISEL SAID HE WOULD SEND A MISSION TO DIS-
CUSS COOPERATION WITH BNOC, AND IT'S ANTICIPATED THAT
BENN WILL VISIT BRAZIL WITHIN THE NEXT SIX MONTHS. THE
UNPUBLISHED COMMUNIQUE ISSUED AT THE CLOSE OF MEETINGS
STATED THAT GEISEL AND BENN LOOK FORWARD TO INCREASED
CONTRIBUTIONS BY BRITISH COMPANIES TO THE DEVELOPMENT
OF THE BRAZILIAN OIL INDUSTRY THROUGH RISK SHARING CON-
TRACTS AND THE APPLICATION OF NORTH SEA EXPERIENCE TO
THE EXPLOITATION OF BRAZIL'S OFF-SHORE ENERGY RESOURCES.
WHILE DISCUSSION OF INTERNATIONAL ENERGY MATTERS WAS
LARGELY CONFINED TO GENERALITIES, GEISEL'S COMMENTS ON
CIEC, INCLUDING OIL PRICING, QUESTIONS WERE IN LINE
WITH QUIETLY HELPFUL BRAZILIAN POSTURE. ACCORDING TO
DEPARTMENT OF ENERGY SOURCES, THERE WAS NO DISCUSSION
TOUCHING ON URENCO.

5. IN ADDITION TO BENN'S ANTICIPATED VISIT, IT WAS
ANNOUNCED THAT UK MINISTER OF AGRICULTURE FRED PEART WILL
VISIT BRAZIL IN AUGUST TO ATTEND THE PORTO ALEGRE INTER-
NATIONAL AGRICULTURE SHOW. ALSO, THE BRITISH OVERSEAS

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 07551 03 OF 03 150338Z

12

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SS-15 USIA-06 INT-05 XMB-02 DHA-02 IO-13 /116 W

----- 026619

R 141758Z MAY 76

FM AMEMBASSY LONDON

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 1746

AMEMBASSY PARIS

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 03 OF 03 LONDON 07551

TRADE BOARD WILL HOLD A SEMINAR IN LONDON ON TRADE BETWEEN BRITAIN AND BRAZIL ON JUNE 21 AT WHICH BRAZILIAN MINISTER FOR PLANNING WILL BE PRINCIPAL SPEAKER. FINALLY, PRESIDENT GEISEL HAS INVITED THE PRINCE OF WALES TO VISIT BRAZIL AND HRH HAS ACCEPTED FOR A FUTURE DATE TO BE AGREED UPON.

6. LEFT-WING OBJECTIONS TO THE VISIT DID NOT MATERIALIZE IN ANY SIGNIFICANT WAY. DEMONSTRATIONS WERE FEW IN NUMBER AND WELL-CONTROLLED. THE RESPONSIBLE PRESS EMPHASIZED THAT BRITAIN IS A TRADING NATION WHICH TRADITIONALLY HAS NOT HUNG POLITICAL QUALIFICATIONS ON ECONOMIC OPPORTUNITIES, AND WHICH PRESENTLY COULD SCARCELY AFFORD TO DO SO. MORE CONSERVATIVE NEWSPAPERS STRUCK AT THE HYPOCRISY OF THOSE OBJECTING TO GEISEL BUT WHO UTTERED NOT A WORD SIX WEEKS AGO WHEN SOVIET FOREIGN MINISTER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 07551 03 OF 03 150338Z

GROMYKO VISITED BRITAIN. IN THE END, PUBLIC AND PARTY CRITICISM OF GEISEL WAS MUTED AND ULTIMATELY OVERSHADOWED BY THE OBVIOUS ECONOMIC BENEFITS OF THE TALKS. IN THE CORRIDORS, MINISTERS DID RAISE THE QUESTION OF HUMAN RIGHTS WITH THEIR BRAZILIAN COUNTERPARTS WHO IN TURN RECOGNIZED THAT THE ISSUE COULD NOT BE IGNORED FOR REASONS OF DOMESTIC BRITISH POLITICS. THEY RECEIVED THE VARIOUS INQUIRIES WITH GOOD GRACE BUT RESPONDED ONLY THAT HUMAN RIGHTS IS A MATTER OF "NATIONAL RESPONSIBILITY." THE BRAZILIANS WERE CLEARLY RELIEVED THAT THE

ISSUE FAILED TO CLOUD THE VISIT AND COUNTED THIS FACT AS A REAL SUCCESS.

7. GENUINE POLITICAL CONSULTATIONS OCCUPIED LITTLE MINISTERIAL TIME. THE BRITISH FOUND THEIR VISITORS UNACCUSTOMED TO WIDE-RANGING DISCUSSIONS ON GLOBAL ISSUES BUT ANXIOUS TO TALK. ON DETENTE, CHINA, AND THE MIDDLE EAST, THE BRAZILIANS LISTENED CAREFULLY TO BRITISH PRESENTATIONS AND OFFERED THEIR OWN VIEWS. ON BELIZE, THE FALKLAND ISLANDS, AND THE NORTH-SOUTH DIALOGUE, THE BRITISH WERE IMPRESSED BY BRAZILIAN UNDERSTANDING AND MODERATION, AND THEIR WILLINGNESS INsofar AS POSSIBLE TO ACT AS A BRIDGE ON THESE QUESTIONS. BRITISH/BRAZILIAN INTERESTS MOST OVERLAPPED ON AFRICAN ISSUES. THE BRAZILIANS SHOWED A THOROUGH COMPREHENSION OF THE DIFFICULTIES IN RHODESIA AND OFFERED THE BRITISH INFORMED AND SOPHISTICATED ADVICE ON ANGOLA, ESPECIALLY EMPHASIZING THE IMPORTANCE OF THE WEST'S RESPONDING TO NETO. WHILE NOTHING CONCRETE CAME FROM THESE GENERAL DISCUSSIONS, WHITEHALL BELIEVES THEY REVEALED THE "NEW BRAZIL," AN EMERGING NATION OF INCREASINGLY GLOBAL INTERESTS AND VIEWS WHICH MORE AND MORE COUNTS ITSELF IN THE CAMP OF DEVELOPED WESTERN SOCIETY.

8. SINCE DRAFTING ABOVE, WE HAVE RECEIVED CONFIDENTIAL INTERNAL DEPT OF TRADE MEMO DESCRIBING COUNTERVAILING DUTY DETERMINATION DISCUSSED PARA 2. COPIES BEING POUCHED TO DEPARTMENT AND BRASILIA.

ARMSTRONG

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, FOOTWEAR, FOREIGN RELATIONS, CHIEF OF STATE VISITS, EXPORT PRICES, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON07551
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760188-0065
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760554/aaaabuan.tel
Line Count: 360
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BRASILIA 3501
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by CollinP0>; APPROVED <05 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT GEISEL'S VISIT TO THE U.K.
TAGS: PFOR, EGEN, TECH, OVIP, UK, BR, (GEISEL, ERNESTO)
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006